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PROGRAM RESEARCH

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HOUSE OF REPRESENTATIVES

Looking Forward from *McCleary*

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Today's Presentation

- ⌄ How the paramount duty, the *McCleary* case, and resulting legislation shaped state policies.
- ⌄ Their impacts on compensation, enrichment, special education, and pupil transportation.



The constitution and K-12: Among state duties, K-12 is special



The paramount duty of Art. IX, sec. 1: A strongly worded clause receives a strong interpretation

It is the paramount duty of the state to make ample provision for the education of all children residing within its borders, without distinction or preference on account of race, color, caste, or sex.



***McCleary* and judicial oversight**

- ⚖ In the 2012 *McCleary* decision, the court invalidated the State's former funding formulas for the state's statutory program of basic education (SSPOBE).
- ⚖ The decision resulted in unprecedented judicial supervision over legislative outcomes as the state implemented K-12 funding reforms.
- ⚖ Over the six-year course of supervision, the legislature increased formulas and funding each year, but in 2014 the court found the state in contempt and in 2015 imposed fines.
- ⚖ In 2017 the legislature enacted significant structural changes to K-12 funding and policies, and in 2018 the court released the state from judicial oversight and dismissed the *McCleary* case.



Major structural reforms in the 2017 legislation enacted to resolve *McCleary*

- ⌄ Structural reforms enacted in 2017 go beyond changes to formulas, expenditures, or taxation.
- ⌄ The program of basic education is redefined to include statewide salary allocations necessary to hire and retire qualified staff for the SSPOBE.
- ⌄ Through regionalization of salary allocations, the state recognized that districts' costs of implementing SSPOBE vary across the state.
- ⌄ The Legislature defined “enrichment” to address use of local levies.

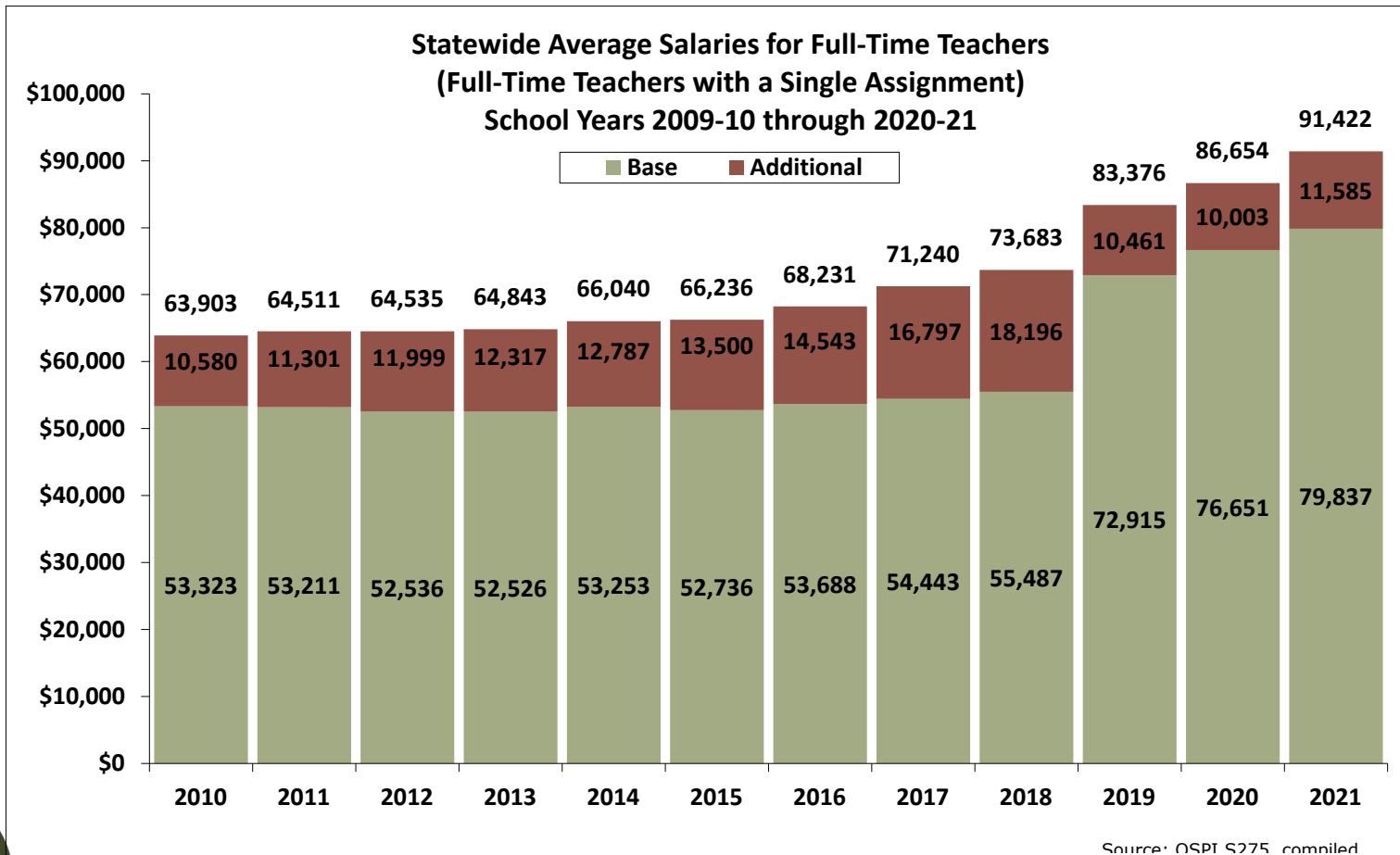


Looking forward: Guidance from *McCleary*

- ⚖️ State may fund the SSOPBE through an allocation method, but the formula must correspond to districts' cost of implementing the SSPOBE.
- ⚖️ The state's formulas and program offerings are not set in constitutional stone, but the state may not eliminate a program offering without an educational rationale.
- ⚖️ Because of the paramount duty, the court holds SSPOBE legislation to a higher standard: the legislation must fulfill or be reasonably likely to fulfill the constitutional obligation.

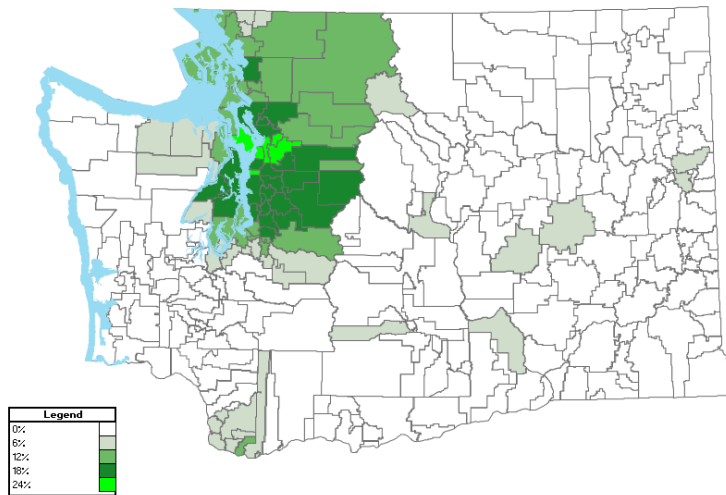


In resolving *McCleary*, state compensation allocations (and locally bargained employee salaries) increased.

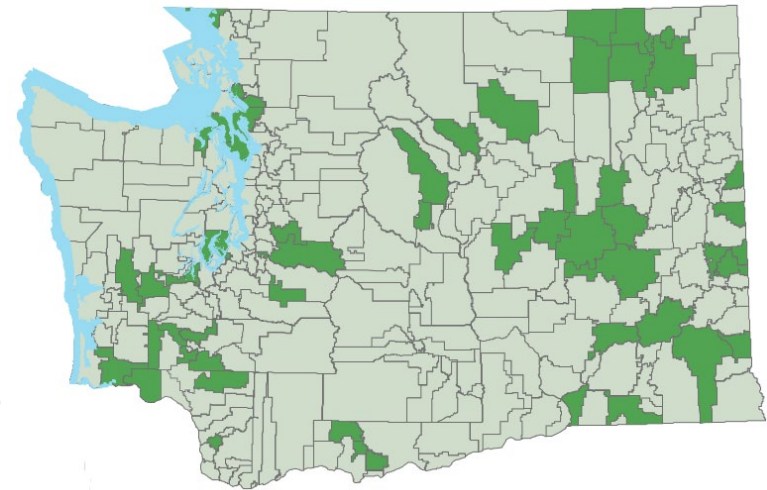


Approximately 80% of the K-12 operating budget is for compensation.

- ▮ Salary allocations regionalized based on median home values in and near districts (3% to 18%).
- ▮ Experience Factor of 4% for instructional staff based on experience/education.
- ▮ Salaries are inflated by the Implicit Price Deflator for that fiscal year (usually projected) .
- ▮ The School Employees Benefits Board provides health benefits to school employees.
- ▮ **In the 2023 session, regionalization, and other comp factors, will be rebased.**



Regionalization Factors 2019-20



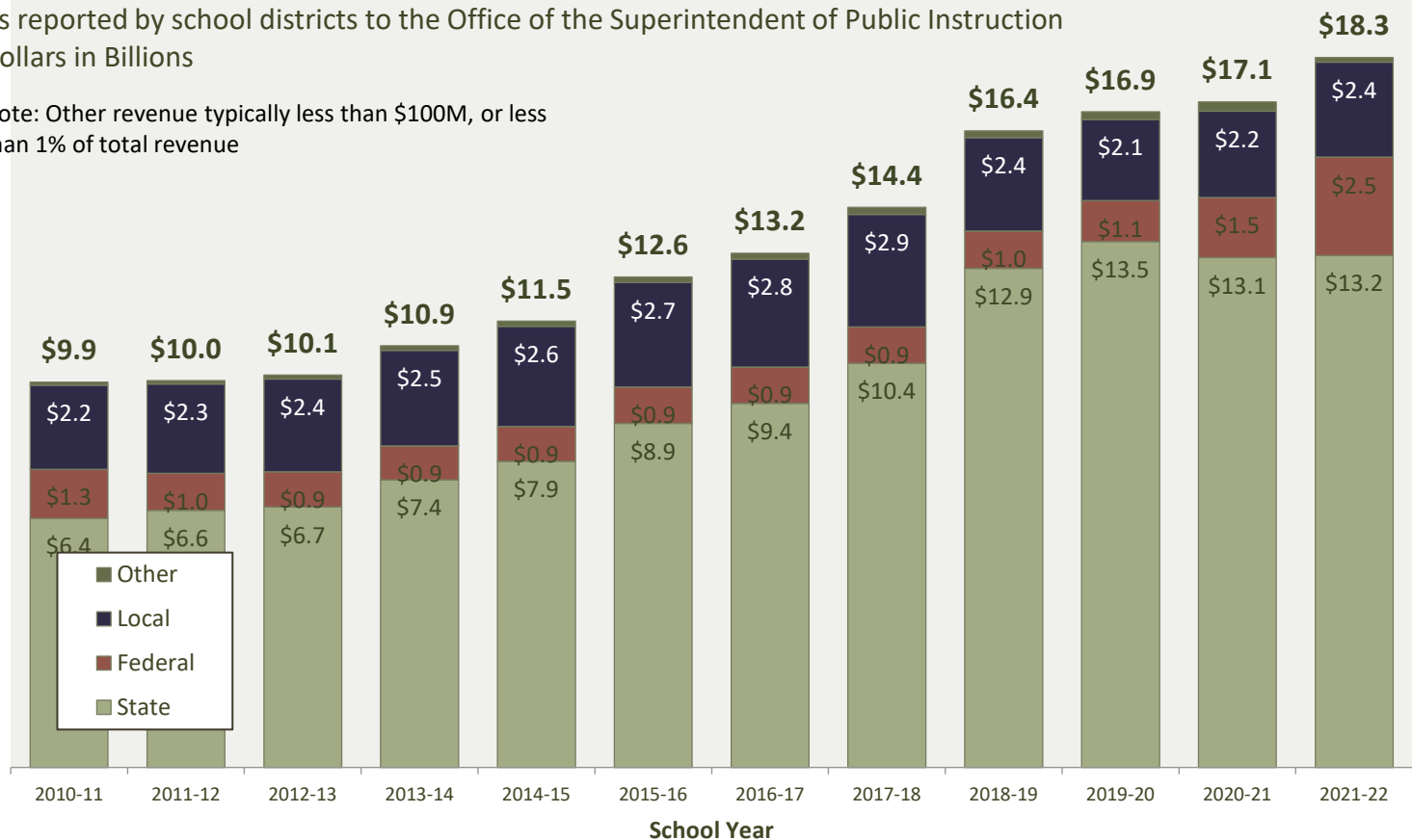
Experience Factors 2019-20

Resolving *McCleary* changed the mix of state and local funding, with the state providing a larger portion funding.

Total K-12 Public Schools Funding by Source

As reported by school districts to the Office of the Superintendent of Public Instruction
Dollars in Billions

Note: Other revenue typically less than \$100M, or less than 1% of total revenue



Local Enrichment Levies and Local Effort Assistance (LEA)

Enrichment Levy Limits

- Enrichment Levy Limits
 - Prior calculation is a % of state and federal revenues – 28% for most districts
 - New calculation is based on the lesser of: \$2.50 per or the tax rate that would generate no more than \$2,500 per pupil
 - Districts with more than 40,000 students (Seattle), can levy up to \$3,000 per pupil, increased for inflation.

LEA

- LEA
 - Prior calculation: Equalized to a statewide average tax rate
 - New calculation: The difference between \$1,550 and the actual per pupil property tax amount for the school district at a \$1.50 tax rate

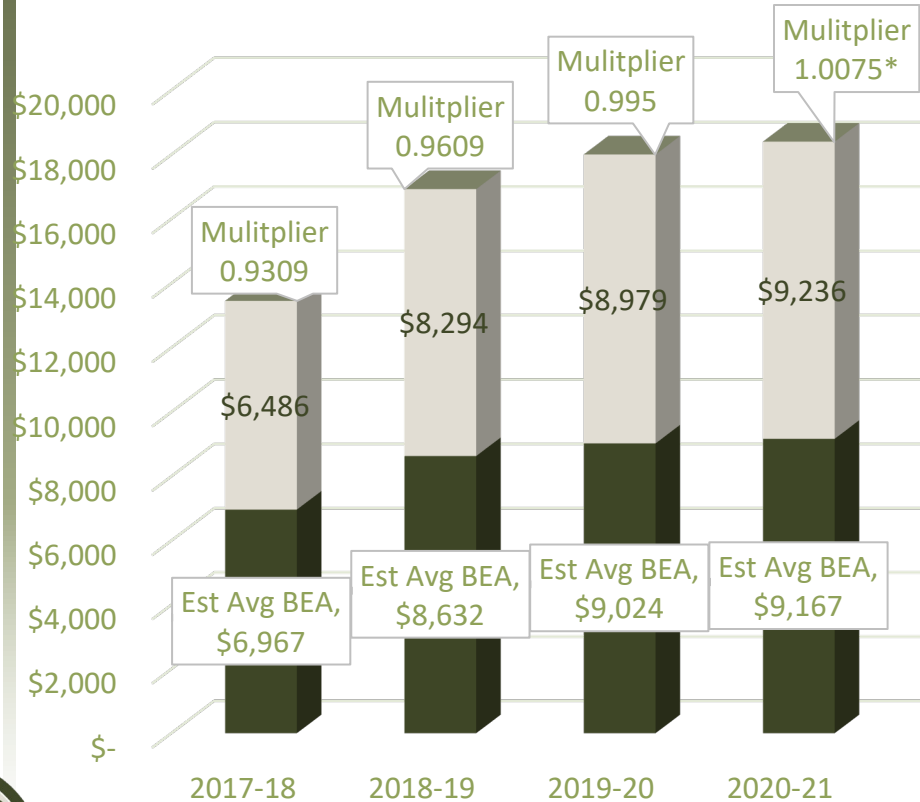
Permitted enrichment activities:

- Permitted enrichment activities:
 - Extracurricular activities, extended school days, or an extended school year;
 - Additional course offerings beyond the minimum program of basic education;
 - Additional staff beyond state formulas and class sizes;
 - Activities associated with early learning programs;
 - Additional salary costs attributable to enrichment activities; and
 - Additional activities or enhancements as determined and approved by OSPI.



Special Education is part of SSPOBE, funded on an "excess costs" basis.

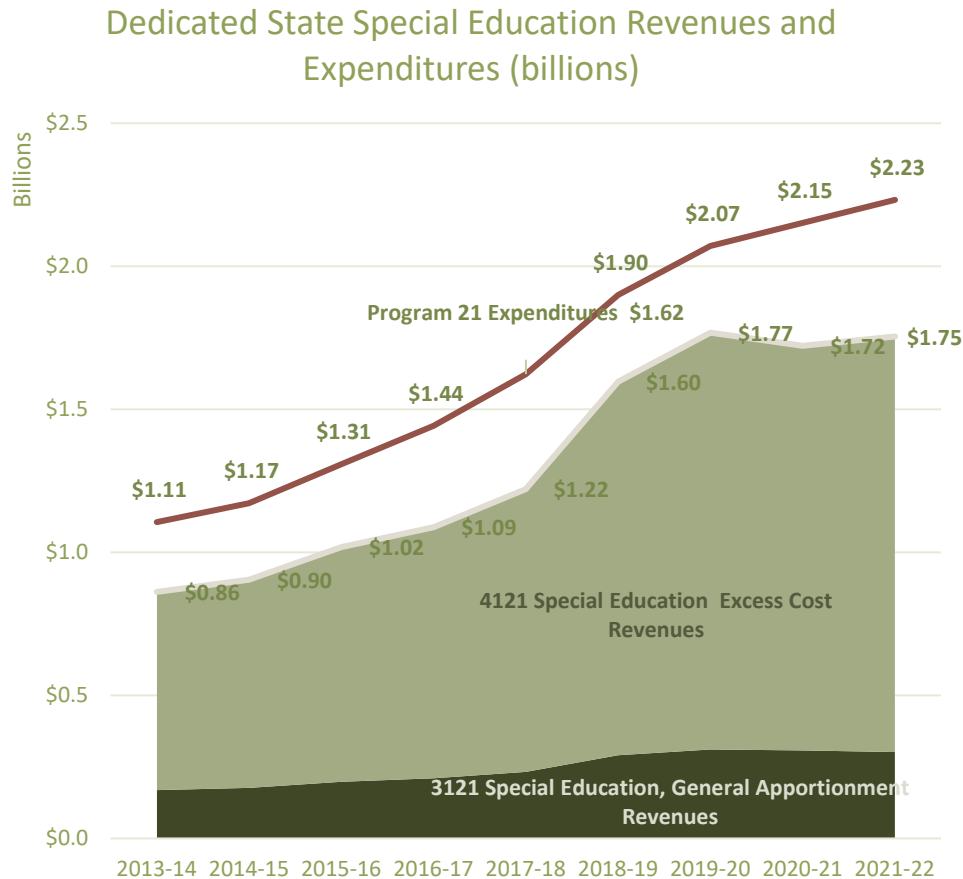
Estimated Per Pupil BEA and Special Education Excess Costs



- ☞ An excess-cost multiplier is applied to a per pupil basic education allocation (BEA) to calculate funding per student.
- ☞ Portion of BEA is redirected to special education based on time in a special education setting.
- ☞ Multiplier beginning 2020-21
 - ☞ *1.0075 if more than 80% in general ed setting
 - ☞ 0.995 for less than 80%
 - ☞ 1.15 for Pre-K
- ☞ Different BEA rates for each district, due to regionalization and other factors.
- ☞ The Safety Net is available for high needs individuals and communities.



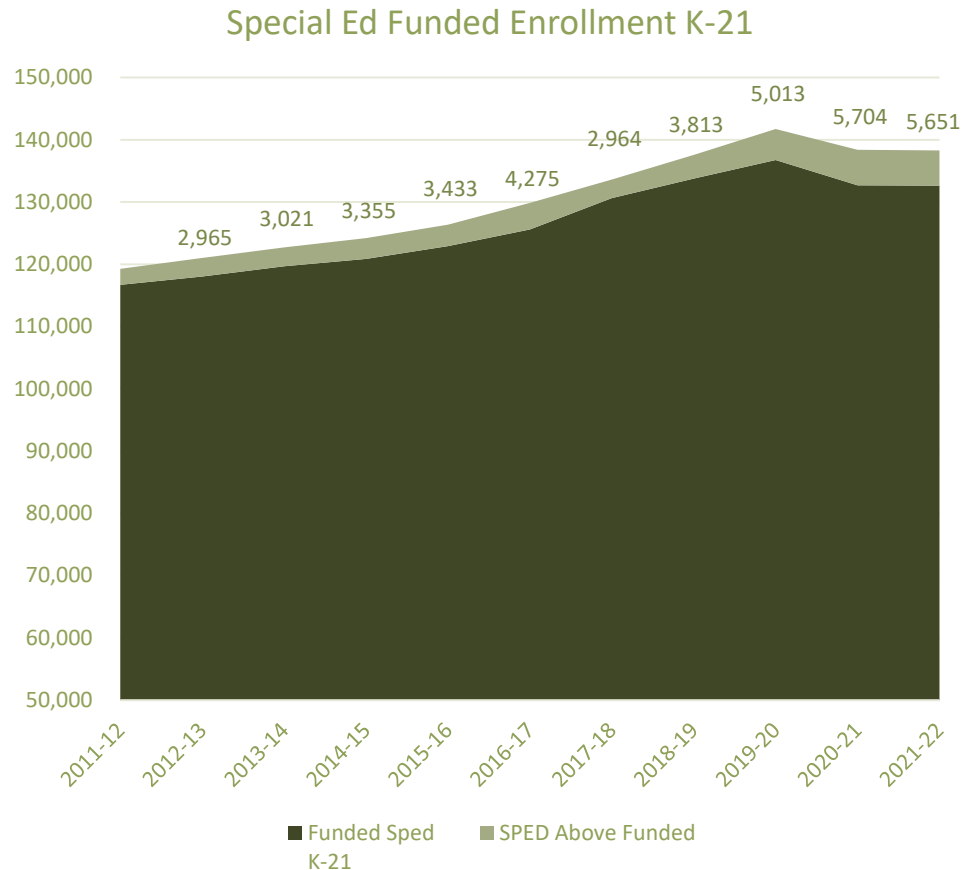
Special Education (K-21): State Revenues and Expenditures



- Certain state revenues are dedicated for special education purposes.
- Difference between expenditures and dedicated revenues may be funded by enrichment levies, other parts of the state allocation, or other sources.
- Districts reported \$342.2 mill in 21-22 from non-state and non-federal sources.



Special education enrollments grew for several years, until the pandemic.



Special Education is funded up to 13.5% of enrollment.

Proposals to increase enrollment limit to 15% included in Governor's budget.

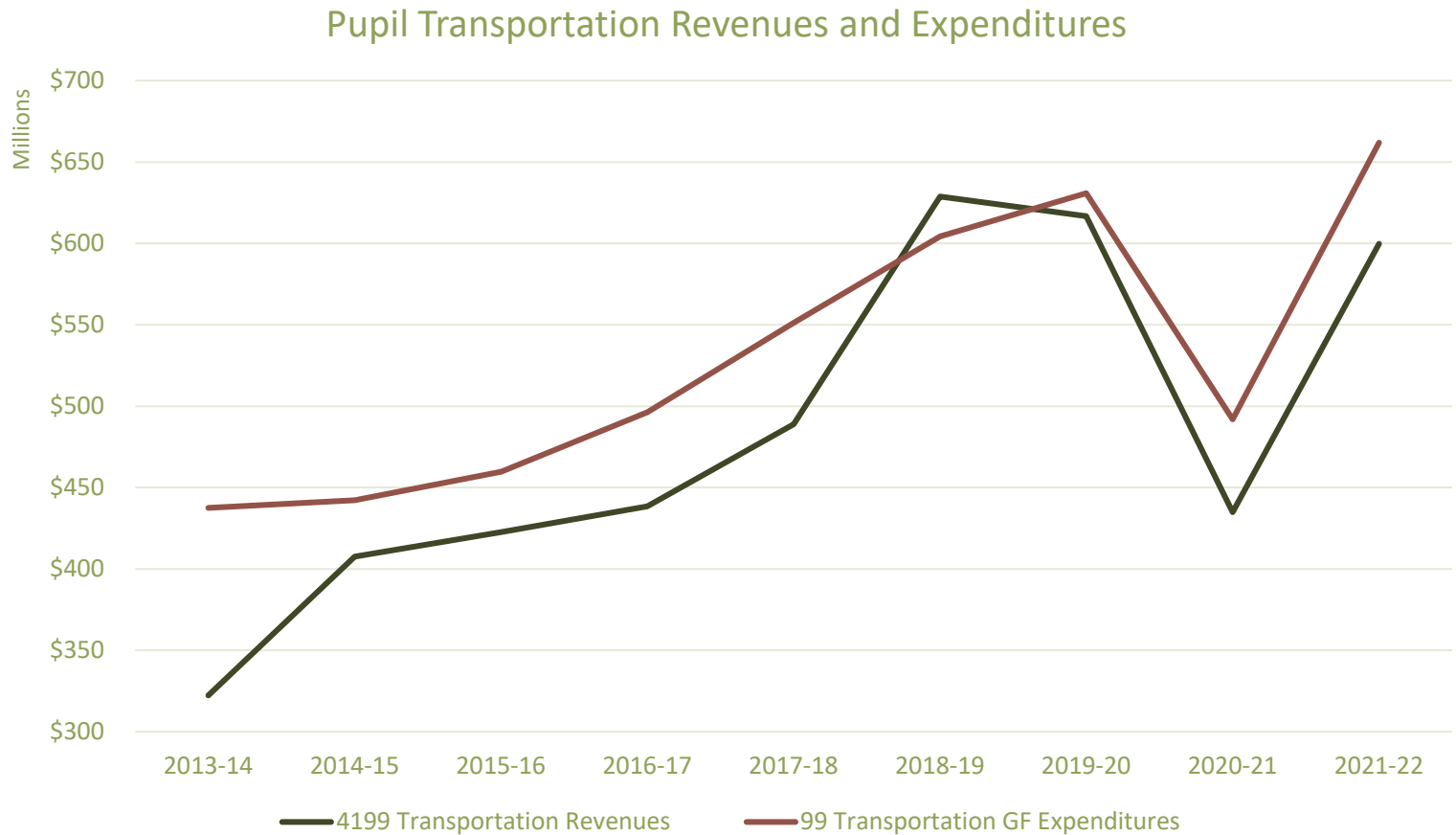


Pupil Transportation “to and from school” is part of SSPOBE.

- ▮ Funding formula based on prior year expenditures and a regression analysis of unique district characteristics.
- ▮ Adjustments made for budgeted increases to compensation.
- ▮ Allocations provided for school bus purchases in the form of bus depreciation payments.
- ▮ Pandemic affected bus ridership, expenditures, and effectiveness of the formula.



Pupil Transportation: State Revenues and Expenditures



Thank you!

Questions?



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